



USFR MEMORANDUM NO. 234

TO: School District Administrators; County School Superintendents

FROM: Magdalene D. Haggerty, Office of the Auditor General
Vicki G. Salazar, Arizona Department of Education (ADE)

DATE: June 13, 2008

SUBJECT: Fiscal Year (FY) 2009 School District Annual Expenditure Budget Forms, Budget Supplement, Budget Summary, Budget Work Sheets, Truth in Taxation Work Sheet, Hearing Notice of Tax Increase, Hearing Notification, Desegregation Supplement and related forms, and Instructions (Supersedes USFR Memorandum No. 228)

As the Forty-eighth Legislature, Second Regular Session has not yet concluded, legislation enacted as of the date of this memo has been incorporated into the forms. The more significant changes include modifying worksheets for changes to accommodation school budgeting, adding a line to the budget for excessive property tax valuation judgments, and deleting the Deficiencies Correction Fund. In addition, the base support level and state support level per route mile have been increased by 2% pursuant to Arizona Revised Statutes (A.R.S.) §15-901.01. Further, restrictions on rapid decline, desegregation, and the joint technological education districts have been carried forward from the FY 2008 forms. **These restrictions will remain in the final budget forms if legislation is enacted for FY 2009.** If additional legislation is enacted that changes the forms, revisions will be issued in a USFR Memorandum. A.R.S. §15-905(Q) allows districts to revise their budgets for such changes by September 15, 2008.

A.R.S. §15-903(A) requires the Superintendent of Public Instruction in conjunction with the Auditor General to prescribe the budget format to be used by all school districts. A.R.S. §15-905 requires districts to prepare and submit budgets, in electronic format, containing the information and in the form provided by ADE. The Auditor General and ADE developed the budget format in Microsoft Excel, to incorporate the information districts are statutorily required to include in their annual budgets. This format will assist districts in complying with budget preparation and submission requirements. ADE will only accept FY 2009 budget forms and work sheets submitted electronically using either the Excel forms with the 6/08 revision date or software that produces an electronic file in a format approved by ADE. Districts may download a copy of the Excel forms from the Auditor General's Web site at www.azauditor.gov/forms_schooldistrict.htm or ADE's Web site at www.azed.gov/schoolfinance/Forms/Budgets.

Districts must upload the completed forms and work sheets via the Common Logon, on ADE's Web site at www.azed.gov/CommonLogon. For password information or help, please contact the ADE Support Center at (602) 542-7378 [outside the Phoenix area call (866) 577-9636] or e-mail enterprise@azed.gov.

Districts are statutorily required to annually prepare a proposed Budget no later than July 5, or the publication date of the notice of public hearing and board meeting if earlier, and furnish it to the Superintendent of Public Instruction and to the County School Superintendent (CSS), unless waived by the CSS. The district must also publish or mail a copy of the proposed Budget or Summary and a notice of the public hearing and board meeting no later than 10 days prior to the meeting. The proposed Budget/Summary and notice of hearing must either be printed in at least 8-point type in a newspaper of general circulation within the district, mailed to each household in the district, or transmitted electronically to ADE via the Common Logon for posting on their Web site. Districts posting to ADE's Web site should use the hearing notification form included with this Memorandum. The publisher's affidavit of newspaper publication or an affidavit of mailing, as applicable, must be filed with the Superintendent of Public Instruction within 30 days of the publication or mailing. To meet this requirement, districts should mail the affidavit to ADE, School Finance, 1535 West Jefferson, Bin 13, Phoenix, AZ, 85007. The proposed Budget and related Summary must be kept on file at the district and made available to the public upon request.

In accordance with A.R.S. §15-905.01, a district must hold a truth in taxation hearing on or before the adoption of the expenditure budget if the district budgets an amount that is higher than the truth in taxation base limit, levies any amount for adjacent ways pursuant to A.R.S. §15-995, or levies any amount for liabilities in excess of the budget pursuant to A.R.S. §15-907. If a hearing is required, districts must either publish or mail a notice at least 10 days, but not more than 20 days before the hearing. The notice must be published in a section other than the classified or legal advertising section in a newspaper of general circulation in the district, or mailed to each registered voter within the district (statute does not allow districts the option of posting the truth in taxation hearing notice on ADE's Web site). The notice must be at least one-fourth page in size, surrounded by a solid black border at least one-eighth inch in width, with the headline in at least 18-point type. The sample truth in taxation hearing notice is provided to assist districts in complying with these statutory requirements. The parenthetical remarks in the sample notice are included to assist districts in preparing the notice and should be removed prior to publishing or mailing the notice. In addition to publishing or mailing the notice, the district must also issue a press release containing the truth in taxation hearing notice to all newspapers of general circulation in the district. Within 3 days after the hearing, the governing board must mail a copy of the truth in taxation hearing notice, a statement of its publication or mailing, and the result of the governing board's vote to the property tax oversight commission established by A.R.S. §42-17002. The mailing address is Property Tax Oversight Commission – Econometrics, 1600 West Monroe, 9th Floor, Phoenix, AZ, 85007. Districts may combine the proposed budget notice and hearing with the truth in taxation notice and hearing if the proposed budget notice and hearing is published or mailed. Refer to A.R.S. §15-905.01 for further information on the truth in taxation notice and hearing.

Districts must adopt a Budget no later than July 15 and file the adopted Budget with the CSS and Superintendent of Public Instruction no later than July 18. If a district is notified by ADE that the adopted Budget is in excess of the General Budget Limit, Unrestricted Capital Budget Limit, or Soft Capital Allocation Limit by \$1,000 or more, the adopted Budget must be revised on or before December 15. Other budget revisions may be made before May 15. (A USFR memorandum similar to No. 233 will be issued in April 2009 to discuss budget revisions in more detail.) A.R.S. §15-905

GENERAL INFORMATION

Districts should complete the Work Sheets and Supplements, as applicable, before completing the Budget forms. To ensure that the district's data can be properly processed by ADE, formulas should not be changed without specific instructions from either the Office of the Auditor General, Accounting Services Division or ADE, School Finance Unit.

Budget Forms, Supplement, and Summary

1. Amounts in the current year columns should be recorded from the **budget columns** of the latest revised Budget for FY 2008. Amounts should be rounded to the nearest dollar.
2. Districts should budget for retirement contributions at the rate of 8.95% and for long-term disability at the rate of .50% for a total contribution rate of 9.45%.

Truth in Taxation (TNT) Work Sheet

This Work Sheet is used to determine whether a TNT hearing is required, and if so, to calculate the amounts to include on the truth in taxation hearing notice, in accordance with A.R.S. §15-905.01.

Budget Work Sheets

1. District student count means the 100th-day Average Daily Membership (ADM) or adjusted ADM for FY 2008. The 100th-Day ADM or adjusted ADM can be found on the district's FY 2008 ADMS 46-1 report, available on ADE's Web site at www.azed.gov/districts. District-sponsored charter school estimated ADM means pupils new to the district in FY 2009 attending a district-sponsored charter school and pupils who attended a district-sponsored charter school in FY 2008 who are expected to be in attendance at a district-sponsored charter school in FY 2009.
2. In accordance with A.R.S. §15-901.01, the base level and state support level per route mile have been increased by 2 percent.

DETAILED INSTRUCTIONS

SCHOOL DISTRICT ANNUAL EXPENDITURE BUDGET

COVER PAGE

The information on the left side of the cover page must be updated when the budget is proposed, adopted, or revised, and printed out for the Governing Board to sign. Each time the forms are electronically submitted to ADE, the date should be recorded, the Superintendent and Business Manager should sign where indicated, and a copy of the cover page must be mailed within 5 days of electronic submission to ADE, School Finance, 1535 West Jefferson, Bin 13, Phoenix, AZ, 85007.

Revenues and Property Taxation

Estimated revenues by source for FY 2009 (excluding property taxes) should be the district's best estimate at the time the expenditure Budget is prepared.

District tax rates for FY 2008 should be the actual tax rates set by the County Board of Supervisors in August 2007. Tax rates for FY 2009 should be the district's best estimate. Districts should include detailed secondary tax rates for Maintenance and Operation (M&O), K-3, and Capital Overrides; Class A Bonds; and Class B Bonds. Class A Bonds are general obligation bonds approved by voters on or before December 31, 1998. Class B Bonds are general obligation bonds approved by voters after December 31, 1998.

If additional legislation is enacted for FY 2009 that increases the revenue control limit (RCL), districts with M&O and/or K-3 overrides that want to include the increase in their override amounts for FY 2009, must revise the expenditure budget prior to setting the tax rate in August 2008.

ENGLISH LANGUAGE LEARNERS

A.R.S. §15-756.04 established the Structured English Immersion Fund that will be used to account for incremental costs to provide instruction to English Language Learners (ELL). A.R.S. §15-756.11

established the Compensatory Instruction Fund that is used only for compensatory instruction. Both of these funds should only be used to account for monies received from ADE based on separate budget request forms submitted to ADE.

A.R.S. §15-756.01 defined incremental costs as the costs that are associated with a structured English immersion program pursuant to A.R.S. §15-752 or a program pursuant to A.R.S. §15-753 that are in addition to the normal costs of conducting programs for English proficient students. Further, incremental costs do not include costs that replace the same types of service provided to English proficient students or compensatory instruction. Legislation also defined compensatory instruction in A.R.S. §15-756.11 as programs in addition to normal classroom instruction that may include individual or small group instruction, extended day classes, summer school, or intersession school. Compensatory instruction programs must be limited to improving the English proficiency of current ELLs and pupils who were ELLs and who have been reclassified as English proficient within the previous 2 years.

Monies in these funds must be used to supplement existing programs and not to supplant federal, state, or local monies, including desegregation monies levied pursuant to A.R.S. §15-910, used for ELLs or for ELL compensatory instruction that were budgeted as of February 23, 2006. As a result, six required program codes must be used to track ELL expenditures in all funds related to incremental costs and compensatory instruction. The program codes are as follows: 260—ELL Incremental Costs, 265—ELL Compensatory Instruction, 430—Pupil Transportation—ELL Incremental Costs, 435—Pupil Transportation—ELL Compensatory Instruction, 514—Desegregation—ELL Incremental Costs, and 515—Desegregation—ELL Compensatory Instruction.

PAGE 1 of 8

Line 10. Program 100, Function 5000—Debt Service

Districts should use this line to budget for the amount of any judgment expected to be paid in FY 2009 for an excessive property tax valuation judgment per A.R.S. §§42-16213 and 42-16214. This amount should also be included on page 7, line 9(l).

Line 25. Program 300, Special Education Disability Title 8 PL 103-382 Add-On

The federal government requires districts that receive Title 8 PL 103-382 monies for the disabled to budget and account for expenditures of these monies separately. These expenditures must be budgeted for, in detail, on page 1 of the Supplement.

Line 28. Program 520, Special K-3 Program Override

Districts including an increase to the general budget limit pursuant to A.R.S. §15-482, must budget and account for these monies separately. These expenditures must be budgeted for, in detail, on page 1 of the Supplement.

Line 29. Program 530, Dropout Prevention Programs

A district authorized by ADE to continue participation in the Dropout Prevention Programs for FY 2009 pursuant to Laws 1992, Ch. 305, §32 and Laws 2000, Ch. 398, §2, must budget the additional amount on this line.

Line 30. Program 540, Joint Career and Technical Education and Vocational Education Center

A district that has entered into an intergovernmental agreement to establish a jointly owned and operated career and technical education and vocational education center, in accordance with A.R.S. §15-789, should budget for the center's expenditures on this line. A.R.S. §15-910.01 **This provision does not apply to joint technological education districts established pursuant to A.R.S. §15-392.**

PAGE 2 of 8

Special Education Programs by Type (M&O Fund Only)

Districts should retain supporting documentation for the allocation of expenditures budgeted for individual special education programs. Supporting documentation should include a list of the programs, the number of teachers and students by program, and all computation work sheets.

Program code 260—ELL Incremental Costs and program code 265—ELL Compensatory Instruction are required to track expenditures related to ELL. See page 3 of this memo for more information.

Estimated FTE Certified Employees

This section should include **all** certified employees filling certified positions at the district.

M&O Detail by Object Code

This section is provided to identify budgeted Utilities, Excess Utilities, Tuition Out Debt Service, and Audit Services. Amounts reported on lines 1-8 of this section are also included in the budgeted expenditures on Budget, page 1.

1. Amounts budgeted for Utilities (including excess portion) and Excess Utilities in accordance with A.R.S. §15-910 are computed on Work Sheet N. The total amount recorded on Budget, page 7, line 9(e), **must not exceed** the budgeted amount for Excess Utilities, line 9.
2. A district may budget for the debt service portion of the cost of tuition charged to the district for pupils attending school in another district. A.R.S. §15-910(L)
3. Districts should include amounts budgeted in the M&O Fund for any financial and compliance audit services. A.R.S. §15-914(F)

Rapid Decline

Districts applying for rapid decline must complete this section. The information is calculated on Work Sheet A, page 1, and should also be recorded on the Summary.

Expenditures Budgeted in the M&O Fund for Food Service

Districts participating in the National School Lunch Program are required to budget a portion of their state revenues to support the operation of their food service program. Districts should budget in the M&O Fund any amounts that will be expended during the 2009 school year for the operation of the food service program. Any questions related to the state matching requirements should be directed to the Child Nutrition Programs Office at (602) 542-8700.

PAGE 3 of 8

In accordance with A.R.S. §§15-977 and 15-978, the Classroom Site Funds (CSF) are budget-controlled funds that may be used for the purposes described below. Additionally, the monies in these three funds must be used to supplement, rather than supplant, existing monies and in accordance with Laws 2000, 5th S.S., Ch. 1, §62, must not be used for administrative purposes. See USFR Memorandum No. 194 for additional guidance on the use of CSF monies.

Fund 011—Base Salary

This fund accounts for 20% of the FY 2009 CSF Allocation and any FY 2008 unexpended budget balance and interest earned for this fund. Monies in this fund can only be used for teacher base salary increases, employment-related expenses, and registered warrant expense for this fund.

Fund 012—Performance Pay

This fund accounts for 40% of the FY 2009 CSF Allocation and any FY 2008 unexpended budget balance and interest earned for this fund. Monies in this fund can only be used for performance-based teacher compensation increases, employment-related expenses, and registered warrant expense for this fund.

Fund 013—Other

This fund accounts for 40% of the FY 2009 CSF Allocation and any FY 2008 unexpended budget balance and interest earned for this fund. Monies in this fund can only be used for the following maintenance and operation purposes: class size reduction, AIMS intervention, and dropout prevention programs for instructional purposes (other than athletics) coded to function 1000; teacher compensation increases; teacher development; teacher liability insurance premiums; and registered warrant expense for this fund.

The total amount budgeted in the CSF cannot exceed the Classroom Site Fund Budget Limit (CSFBL) amount on Page 8, Line C.7.

Note: The total amount budgeted in the CSF in FY 2009 will affect future years' CSFBLs. See A.R.S. §15-978 and Budget, page 8, for the calculation of the CSFBL.

PAGE 4 of 8

Unrestricted Capital Outlay (UCO) Fund

The amount budgeted in the UCO Fund cannot exceed the amount calculated on Budget, page 8, line A.14. UCO Fund monies may be used for the acquisition by purchase, lease-purchase, or lease of capital items as defined in USFR Memorandum No. 185.

Note: The amount budgeted in Fund 610 in FY 2009 will affect future years' Unrestricted Capital Budget Limits (UCBL). See A.R.S. §15-947(D) and Budget, page 8, for the calculation of the UCBL.

Soft Capital Allocation (SCA) Fund

The amount budgeted in the SCA Fund cannot exceed the amount calculated on Budget, page 8, line B.12. SCA Fund monies may only be used for short-term capital items that are required to meet academic adequacy standards such as technology, textbooks, library resources, instructional aids, pupil transportation vehicles, furniture, and equipment. Districts may not use any portion of the SCA Fund monies for maintenance and operation expenses. Districts may use SCA Fund monies for administrative soft capital purposes after complying with adequacy standards in A.R.S. §15-2011. A.R.S. §15-962

Note: The amount budgeted in Fund 625 in FY 2009 will affect future years' Soft Capital Allocation Limits (SCAL). See A.R.S. §15-947(E) and Budget, page 8, for the calculation of the SCAL.

Expenditures Budgeted in Unrestricted Capital Outlay and Soft Capital Allocation Funds for Food Service (footnote 5)

Districts participating in the National School Lunch Program are required to budget a portion of their state revenues to support the operation of their food service program. Districts should budget in the UCO or SCA Funds any amounts that will be expended during the 2009 school year for the operation of the food service program. Any questions related to the state matching requirements should be directed to the Child Nutrition Programs Office at (602) 542-8700.

PAGE 5 of 8

Building Renewal and New School Facilities Funds

These funds are used to account for monies received from the School Facilities Board (SFB) in accordance with A.R.S. §§15-2031 and 15-2041. These are continuing funds and are not subject to reversion. Districts must indicate the amount of the total budget for renovation and new construction for each of these funds and the Bond Building Fund, as applicable.

PAGE 6 of 8

Instructional Improvement Fund (A.R.S. §15-979)

The Instructional Improvement Fund 020 is used to account for monies received from gaming revenue. Up to 50% of the monies received may be used for teacher compensation increases and class size reduction as provided in A.R.S. §15-977. Therefore, the expenditures for class size reduction, if any, must be appropriate expenditures under function 1000—Instruction, excluding athletics. The remaining monies must be used for the following M&O purposes: dropout prevention programs and instructional improvement programs including programs to develop minimum reading skills for students by the end of third grade.

The monies in this fund may not be used to supplant existing state and local monies. This fund is cash controlled and the monies received in this fund are nonreverting. Therefore, expenditures cannot be incurred prior to the receipt of monies and unspent monies at fiscal year-end may be used in subsequent years.

Full-Day Kindergarten Funds (A.R.S. §15-901.02)

The Full-Day Kindergarten Funds 060 and 065 were eliminated since the kindergarten support level weight was added to Work Sheet C in FY 2007. However, the funds will remain on the budget forms for FY 2009 to allow districts that received funding for full-day kindergarten in FY 2005 and FY 2006 to budget for any remaining monies in the funds. Remaining monies should only be used for full-day kindergarten instruction. Monies received in FY 2007 and thereafter, pursuant to the new kindergarten support level weight should be included in the M&O or UCO Funds, as appropriate.

English Language Learner Funds (A.R.S. §§15-756.04 and 15-756.11)

The Structured English Immersion Fund 071 is used to account for monies received from ADE to provide for the incremental cost of instruction to ELLs and must be used to supplement existing programs. In accordance with A.R.S. §15-756.03, monies must not be used to supplant federal, state, or local monies, including desegregation monies, previously used for ELLs, or used to pay for the normal costs of conducting programs for English proficient students. As defined in A.R.S. §15-756.01, incremental costs are the costs that are associated with a structured English immersion program pursuant to A.R.S. §15-752 or a program pursuant to A.R.S. §15-753 and that are in addition to the normal costs of conducting programs for English proficient students. Incremental costs do not include costs that replace the same types of services provided to English proficient students or compensatory instruction. This fund became effective in FY 2008; however, no monies were distributed in FY 2008. Laws 2008, Ch. 34, provides funding for the fund for FY 2009, stating that "...monies in the structured English immersion fund are state aid and shall be apportioned in the same manner as basic state aid pursuant to section 15-973, Arizona Revised Statutes." Districts were required to submit a separate Structured English Immersion Budget Request Form to ADE to request these monies for FY 2009. See page 3 of this memo for more information.

The Compensatory Instruction Fund 072 is used to account for monies received from ADE for compensatory instruction programs in addition to normal classroom instruction that may include

individual or small group instruction, extended day classes, summer school or intersession school. These programs are limited to improving the English proficiency of current ELLs and students who have been reclassified from ELL to English proficient within the previous 2 years. Monies must be used to supplement existing programs and not supplant federal, state, or local monies, including desegregation monies levied pursuant to A.R.S. §15-910, used for ELLs or ELL compensatory instruction that were budgeted as of February 23, 2006. Districts must submit a separate Compensatory Instruction Budget Request Form to ADE to request these monies. See page 3 of this memo for more information.

Expenditures for these funds must be budgeted for in detail on page 3 of the Supplement.

School Plant Funds (A.R.S. §15-1102)

Proceeds from the sale or lease of school property must be deposited into one of the following funds as appropriate: School Plant Fund 500 (Lease over 1 year), School Plant Fund 505 (Lease 1 year or less), School Plant Fund 506 (Sale), or School Plant-Special Construction Fund 640 [Proceeds to be used as defined in A.R.S. §15-1102(F)].

To comply with A.R.S. §15-341(G), districts may need to obtain written approval from the SFB prior to the sale of land or buildings.

If a district sells property in accordance with A.R.S. §15-342(10)(d), the proceeds may be used to purchase replacement property within 2 years from the sale date. If the proceeds are not used to purchase replacement property within 2 years, the proceeds must first be used to pay any outstanding bonded indebtedness and then to reduce the district's primary tax levy. A district may sell property in accordance with A.R.S. §15-342(10)(d), if all of the following conditions are met:

- The district is the sole owner of the property that the district intends to sell,
- The district did not originally purchase the property with monies that were distributed in accordance with A.R.S. §15-2001 et seq, and
- The transaction complies with A.R.S. §15-341(G).

For all other sales or leases of school property in accordance with A.R.S. §15-1102, monies deposited in the School Plant Funds may be expended for the payment of any outstanding bonded indebtedness of the district or for the reduction of district taxes. Elementary school districts and high school districts with outstanding bonded indebtedness equal to or less than 7% of the current year's assessed valuation and unified districts with outstanding bonded indebtedness equal to or less than 14% of the current year's assessed valuation may also expend a portion of monies deposited in the School Plant Funds for maintenance and operation and capital outlay, subject to the limits prescribed in A.R.S. §15-1102(B). Districts with bonded indebtedness greater than the amounts specified above may expend proceeds from the sale or lease of school property for maintenance and operation and capital outlay subject to the following limits:

1. Proceeds in Funds 500 and 505 may be expended for maintenance and operation in an amount not to exceed the lesser of the limit prescribed in A.R.S. §15-1102(B) or 25% of the proceeds. The use of proceeds in Funds 500 and 505 is not limited for capital outlay.
2. Proceeds in Fund 506 may be expended for capital outlay in an amount not to exceed 62% of the proceeds. Proceeds in Fund 506 cannot be used for maintenance and operation purposes.

All budgeted expenditures from the School Plant Funds (including maintenance and operation, and capital outlay expenditures) should be recorded on lines 6 through 8 and 30. Footnote 3 has been included on page 6 for districts to indicate the portion of the amount budgeted in Fund 500 that will be used for maintenance and operation purposes.

PAGE 7 of 8

For budget adoption, districts may apportion amounts on this page between the M&O and UCO Funds as described in this memo. After original adoption, amounts may be reapportioned based on the budgetary needs of the district, unless otherwise indicated on Budget, page 7, or in the following instructions.

Calculation of FY 2009 General Budget Limit (GBL) (and related capital amounts)

Record in column A all amounts budgeted for use in the M&O Fund (to be included in the GBL). Record in column B all amounts budgeted for use in the UCO Fund (to be carried over to the calculations on Budget, page 8).

Lines 1(a)-1(d). FY 2009 Revenue Control Limit

After completing the Work Sheet for FY 2009 District Support Level and Revenue Control Limit (Work Sheet E), and the Work Sheet for FY 2009 Consolidation/Unification Assistance (Work Sheet F), if applicable, enter the amount of the district RCL from line VIII of Work Sheet E, or line IV of Work Sheet F, on line 1(a). For budget adoption, no amounts should be recorded on lines 1(b) and 1(c). (A USFR memorandum similar to No. 233 will be issued in April 2009 to explain how to complete these lines.) Therefore, the amount recorded on line 1(a) should also be recorded on line 1(d) for budget adoption.

Lines 3(a)-3(c). FY 2009 Override Authorization (A.R.S. §§15-481 and 15-482)

In accordance with A.R.S. §15-185(A)(6), a district that sponsors a charter school may not include the charter school pupils in the district's student count for the purpose of computing the RCL that is used to determine the maximum allowable override as provided in A.R.S. §§15-481 and 15-482, unless the charter school is located within the boundaries of the school district.

In accordance with A.R.S. §15-951(B), the RCL used to determine the maximum M&O and Special K-3 Program overrides for Type 03 districts does not include the tuition paid by the district for high school students attending another district.

If a district has any override approved by the voters, the Report of Special Election Results Form should be completed and returned to ADE, School Finance Unit. The form and instructions can be found at www.azed.gov/schoolfinance/Forms/SpecialElections/SpecialElections.aspx.

Line 3(a). FY 2009 Override Authorization-Maintenance and Operation

If the voters in the override election authorize the district to exceed the RCL, and the increase is to be **fully funded by revenues other than property taxes** [A.R.S. §15-481(F)], only revenues derived from the FY 2008 ending cash balance in the M&O Fund [after the primary tax rate is reduced to zero as required by A.R.S. §15-481(T)] may be used. A.R.S. §15-481(P)

Line 3(b). FY 2009 Override Authorization-Unrestricted Capital Outlay

If the voters in the override election authorize the district to exceed the Capital Outlay Revenue Limit and the increase is to be **fully funded by revenues other than property taxes** [A.R.S. §15-481(M)], only revenues derived from the FY 2008 ending cash balance in the M&O and UCO Funds [after the primary tax rate is reduced to zero as required by A.R.S. §15-481(T)] may be used. A.R.S. §15-481(S)

Line 3(c). FY 2009 Override Authorization-Special K-3 Program

If the voters in the override election authorize the district to exceed the RCL, and the increase is to be **fully funded by revenues other than property taxes** [A.R.S. §15-481(J)], the increase may only be budgeted and expended if sufficient monies are available in the M&O Fund. A.R.S. §15-481(Q)

Districts offering instruction in high school subjects are subject to the following limitation. The amount of the override for the Special K-3 Program may not exceed 5% of the RCL attributable to the weighted student count in preschool programs for children with disabilities, kindergarten, and grades 1 through 8. A.R.S. §15-482(B)

Line 4. Small School Adjustment for Districts with a Student Count of 125 or less in K-8 or 100 or less in 9-12 (A.R.S. §15-949)

Districts with a student count of 125 or less in grades K-8, or 100 or less in grades 9-12 may budget an amount on this line. If the district exceeds these student counts, see the instructions for Work Sheets K and K2 beginning on page 19 of this memo.

Line 5(d). State Tuition Revenue—Certificates of Educational Convenience (CEC) (A.R.S. §§15-825, 15-825.01, and 15-825.02, as amended by Laws 2008, Ch. 27, §2)

The work sheets and instructions for calculating this amount will be issued in future ADE School Finance memorandums. The amount will include excess tuition paid to districts in an adjacent state for pupils who reside in the district but are precluded by distance or a lack of adequate transportation from attending a school in their district or county of residence (out-of-state CEC students). In addition, the amount will include funding for students who are precluded by distance or lack of adequate transportation facilities from attending a school in their district or county of residence or who reside in unorganized territories (CEC-A students). The amount will also include funding for students who are placed in a school district by an agency of this State or by a state or federal court of competent jurisdiction in a corrective institution, a foster home, a child care agency, a licensed institution, or a residential facility (CEC-B students).

Line 7(a). Add-on for Children w/Disabilities and Indian Students [A.R.S. §15-905(K) and (O)]

For budget adoption, districts may use the FY 2008 ADE calculated add-on amount from the most recent BUDG25 Report, available on ADE's Web site. The final amount to be included on this line for FY 2009 will be provided by ADE School Finance and will be posted to the School Finance Bulletin Board. If a district feels that the add-on calculation is incorrect the district should contact School Finance at SFBudgetTeam@azed.gov.

Line 7(b). Add-on for Children in Military Reservation Accommodation Schools [A.R.S. §15-905(K), as amended by Laws 2008, Ch. 207, §3]

This line may be used by accommodation schools to increase the GBL for the amount of P.L. 103-382 monies received for children residing within the boundaries of an accommodation school that is located on a military reservation and that is classified as heavily impacted. The amount to be included on this line should equal the dollar amount calculated pursuant to 20 USC section 7703(b)(2). If a district needs assistance calculating this amount, contact School Finance at SFBudgetTeam@azed.gov.

Line 7(c). Administrative Costs [A.R.S. §15-905(P)]

Complete the Work Sheet for Computing Title 8 PL 103-382 Administrative Costs for FY 2009 (Work Sheet L). Enter the amount from line VI of the Work Sheet on this line. **The adjustment for administrative costs does not apply to accommodation school districts.**

Line 9(a). Desegregation Expenditures [A.R.S. §15-910(G)-(K)]

This restriction will remain in the final budget forms if legislation is enacted for FY 2009: In accordance with Laws 2007, Ch. 264, §15, the amount budgeted for desegregation expenditures cannot exceed the amount budgeted in the previous year, adjusted for student growth and inflation, as calculated in the table on the Desegregation Supplement-Districtwide, page 2.

Line 9(c). Budget Balance Carryforward (A.R.S. §15-943.01)

Districts are required to use actual expenditures in calculating the budget balance carryforward. Districts that **have overexpended** in the FY 2008 M&O Fund as authorized by the County Board of Supervisors, in accordance with A.R.S. §15-907, **cannot record a budget balance carryforward**.

Districts that have **not overexpended** should complete the Work Sheet for Calculation of the FY 2009 Maintenance and Operation Fund Budget Balance Carryforward (Work Sheet M). The actual allowable budget balance carryforward may not exceed **4%** of the FY 2008 RCL. Districts may transfer an amount to the School Opening Fund, not to exceed the lesser of the FY 2008 M&O Fund ending cash balance or the actual allowable budget balance carryforward. The amount transferred will reduce the amount of the budget balance carryforward; therefore, the amount carried forward may not exceed the amount on Work Sheet M, line 12.

Line 9(d). Dropout Prevention Programs (Laws 1992, Ch. 305, §32 and Laws 2000, Ch. 398, §2)

A district authorized by ADE to continue participation in the Dropout Prevention Programs for FY 2009 may record on this line an amount not to exceed the amount budgeted for the Dropout Prevention Programs in FY 1991.

Line 9(e). Excess Utilities [A.R.S. §15-910(A)-(F)]

To determine the maximum amount that may be budgeted outside the RCL for excess utilities, complete the Work Sheet for Computing Excess Utility Costs for FY 2009 (Work Sheet N). In accordance with A.R.S. §15-947.01, joint technological education districts may budget for excess utilities and should use amounts from the first full year of operations in place of FY 1985 throughout the Work Sheet.

If a district receives a refund of utility expenditures or rebates on energy saving devices or services, the refund or rebate must be applied as a reduction of the FY 2009 utility expenditures, not to exceed the amount of actual utility expenditures.

The amount included on this line cannot exceed the lesser of the amount calculated on Work Sheet N, line V or the amount budgeted as excess utilities on Budget, page 2, M&O Detail by Object Code, line 9.

In accordance with A.R.S. §15-910.03, each district that budgets for excess utilities must annually develop, adopt, and certify a plan for excess utilities at the same public meeting where the Budget is proposed and adopted. The plan (FY2009UtilRpt.xls) is included for districts to complete and submit to ADE by July 18. ADE issued a Memorandum dated 4/28/06 on the excess utilities plan requirements, which may be obtained from ADE's Web site at www.azed.gov/schoolfinance/Forms/Budgets.

Line 9(f). Assistance for Education (A.R.S. §15-973.01)

For budget adoption, this line should be left blank. For budget revisions, districts will enter the amount of Assistance for Education monies received from ADE. School Finance will notify districts if Assistance for Education monies will be available for FY 2009 and will provide information on revising the Budget if necessary.

Line 9(g). Registered Warrant or Tax Anticipation Note Interest Expense Incurred in FY 2007
[A.R.S. §15-910 (M)]

A district may budget an amount less than or equal to interest expense for registering warrants or for net interest expense (interest expense minus interest income) on tax anticipation notes outside the FY 2009 RCL, **if both of the following conditions apply**:

1. The County Treasurer pooled all school district monies for investment during FY 2007 as provided in A.R.S. §15-996.

2. For those districts that received state aid in FY 2007, the districts applied for state aid apportionment before the date set as provided in A.R.S. §15-973.

Line 9(h). Joint Career and Technical Education and Vocational Education Center (A.R.S. §15-910.01)

For the first 3 years that a joint career and technical education and vocational education center is operating and serving students, all or a portion of the center's expenditures may be budgeted outside the RCL. The district must notify the State Board of Education before adopting a Budget for the first year of operation, and notify ADE School Finance if line 9(h) will be used in calculating the GBL. **However, this provision does not apply to joint technological education districts established pursuant to A.R.S. §15-392.**

Line 9(i). FY 2008 Career Ladder Unexpended Budget Carryforward [A.R.S. §15-918.04(C)]

Enter the amount of the FY 2008 Unexpended Budget for Career Ladder that may be budgeted outside the RCL, which was calculated on Work Sheet M, line 6.g.

Line 9(j). FY 2008 Optional Performance Incentive Program Unexpended Budget Carryforward (A.R.S. §15-919.04)

Enter the amount of the FY 2008 Unexpended Budget for the Optional Performance Incentive Program that may be budgeted outside the RCL, which was calculated on Work Sheet M, line 6.h.

Line 9(k). FY 2008 Performance Pay Unexpended Budget Carryforward (A.R.S. §15-920)

Enter the amount of FY 2008 Unexpended Budget for Performance Pay that may be budgeted outside the RCL, which was calculated on Work Sheet M, line 6.i. Do not include amounts budgeted for the Performance Pay component of the CSF here.

Line 9(l). Excess Property Tax Valuation Judgments (A.R.S. §§42-16213 and 42-16214)

This line should be used to record the amount of any judgment expected to be paid in FY 2009 for an excessive property tax valuation judgment per A.R.S. §§42-16213 and 42-16214. This amount should also be included on page 1, line 10.

Line 10. Adjustment to the General Budget Limit [A.R.S. §15-905(M) and 15-272, as amended by Laws 2008, Ch. 111, §4]

This line should be used to reduce the FY 2009 GBL for exceeding the prior year(s) GBL, for exceeding the M&O section of the Budget, or for A.R.S. §15-915 adjustments as approved by ADE. If more than 1 year is recorded, indicate each year and the associated amount on the explanation lines, but record only one combined amount in column A. If the amount entered on this line is negative, enter amount in parentheses. Do not use this line to subtotal the amounts recorded for lines 9(a) through (l).

PAGE 8 of 8

Unrestricted Capital Budget Limit

Lines A.1 through A.7 must be completed to determine the Unexpended Budget Balance in Fund 610 that may be carried forward and budgeted in FY 2009.

Line A.2. Total Unrestricted Capital Budget Limit Adjustment for Prior Years

Enter zero for budget adoption purposes. Record any such adjustments before May 15 if notified to do so by ADE on the BUDG 75 report. **Amounts on this line must be negative.** Positive adjustments approved by ADE in accordance with A.R.S. §15-915 should be included on line A.11.

Line A.9. Federal Impact Adjustment (A.R.S. §15-964)

Enter the amount from Worksheet R, line V. This adjustment may only be budgeted and expended for new construction, major renovation of buildings, or soft capital. **The district must not use line A.9 if it has budgeted Title 8 PL 103-382 monies, on line A.13.**

Line A.10. Monies deposited in Fund 610 from School Facilities Board for Donated Land [A.R.S. §15-2041(F)]

The district should forward a copy of the award letter from the SFB stating the specific amount being deposited in Fund 610, to ADE, School Finance in order to receive budget capacity for this item.

Line A.11. Adjustment to UCBL for FY 2009 [A.R.S. §15-905(M)]

This line should be used to reduce the FY 2009 UCBL for exceeding the FY 2008 Amount Available to be Spent in UCO Fund, for exceeding the FY 2008 UCO section of the Budget, or for A.R.S. §15-915 adjustments as approved by ADE. If more than one item is recorded, indicate each item and the associated amount on the explanation line, but record only one combined amount at the column to the right. If any such adjustments are necessary, ADE will notify districts of the amount to enter on this line. Record negative amounts in parentheses.

Line A.13. FY 2009 State Board Approval to Budget and Accumulate Cash Balance for Construction, Building Renovation, or Soft Capital [A.R.S. §15-962(F)]

If the district received State Board of Education approval to budget and accumulate a cash balance for construction, building renovation, or soft capital in accordance with A.R.S. §15-962(F), enter the approved amount. This amount cannot exceed the lesser of the FY 2008 Title 8 PL 103-382 Entitlement or the M&O Fund's ending cash balance at June 30, 2008, after encumbrances, less any amount used to fund nonlevy overrides or budget balance carryforward. **However, line A.13 must not be used if the district budgets for a federal impact adjustment on line A.9.**

Line A.14. Amount Available to be Spent in Unrestricted Capital Outlay Fund in FY 2009

The amount budgeted on Budget, page 4, line 10, cannot exceed this amount.

Soft Capital Allocation Limit

Lines B.1 through B.7 must be completed to determine the Unexpended Budget Balance in Fund 625 that may be carried forward and budgeted in FY 2009.

Line B.2. Total SCAL Adjustment for Prior Years

Enter zero for budget adoption purposes. Record any such adjustments before May 15 if notified to do so by ADE on the BUDG 75 report. **Amounts on this line must be negative.** Positive adjustments approved by ADE in accordance with A.R.S. §15-915 should be included on line B.11.

Line B.10. Capital Transportation Adjustment Approved by State Board of Education [A.R.S. §15-963(B)]

Enter the amount approved by the State Board of Education for a Capital Transportation Adjustment. Districts are eligible to receive a Capital Transportation Adjustment for the purchase of transportation vehicles if the district:

- Has a student count of fewer than 600 in kindergarten and grades 1-12,
- Transports as eligible students at least one-third of the total student count of the district, and
- Has an approved daily route mileage per eligible student transported of more than 1.0, calculated in accordance with A.R.S. §15-945 on Work Sheet D.

Line B.11. Adjustment to SCAL for FY 2009 [A.R.S. §15-905(M)]

This line should be used to reduce the FY 2009 SCAL for exceeding the FY 2008 SCAL, for exceeding the FY 2008 SCA section of the Budget, or for A.R.S. §15-915 adjustments as approved by ADE. If more than one item is recorded, indicate each item and the associated amount on the explanation line, but record only one combined amount at the column to the right. If any such adjustments are necessary, ADE will notify districts of the amount to enter on this line. Record negative amounts in parentheses.

Line B.12. FY 2009 Soft Capital Allocation Limit

The amount budgeted on Budget, page 4, line 19, cannot exceed this amount.

Classroom Site Fund Budget Limit

Districts should complete the table at the bottom of Budget, page 8 to calculate the CSFBL. These amounts will automatically be transferred to lines C.1 through C.7.

Lines C.1 through C.3 must be completed to determine the Unexpended Budget Balance in the CSF that may be carried forward and budgeted in FY 2009.

Line C.5. FY 2009 Classroom Site Fund Allocation

Enter the FY 2009 allocation for the district, based on the district's weighted student count multiplied by JLBC's estimate of \$390. The FY 2009 CSF estimates will be available on ADE's Web site at www.azed.gov/schoolfinance/Forms/Budgets. To ensure compliance with the requirements of A.R.S. §15-977, districts must apportion the FY 2009 CSF allocation 20% to Fund 011, 40% to Fund 012, and 40% to Fund 013.

Line C.6. Adjustments to FY 2009 Classroom Site Fund Budget Limit

Some districts have lost CSF budget capacity from budgeting less than the CSFBL in prior years. This line may be used to recapture that budget capacity. The BUDGCSF Reports for all prior years are currently under revision. As a result, districts may leave this line blank for budget adoption. When the reports become available, this line may be revised if ADE calculates a Classroom Site Fund Budget Limit difference on the district's FY 2009 BUDGCSF Report. The BUDGCSF Report will be available on the district's page of ADE's Web site at www.azed.gov/budget by Fall 2008. Districts that need assistance with the adjustment should contact ADE's budget team at SFBudgetTeam@azed.gov.

Line C.7. FY 2009 Classroom Site Fund Budget Limit

The total amount budgeted on Budget, page 3, line 40, and footnote (1) on that page, cannot exceed this amount. See instructions for Budget, page 3, beginning on page 5 of this memo, for further guidance.

SUPPLEMENT TO SCHOOL DISTRICT ANNUAL EXPENDITURE BUDGET

Only those districts that budget expenditures for Special Education Disability Title 8 PL 103-382 Add-On monies for the disabled; for a Special K-3 Program Override, in accordance with A.R.S. §15-482; for a Joint Career and Technical Education and Vocational Education Center, in accordance with

A.R.S. §15-910.01; or for English Language Learners in accordance with A.R.S. §§15-756.04 and 15-756.11; must complete this Supplement.

PAGE 1 (M&O Fund Supplement)

M&O Fund expenditures for the aforementioned programs should be budgeted by function and object code. The totals for each program's expenditures used for maintenance and operation purposes should be entered on lines 10, 20, and 30 on page 1 of the Supplement, as appropriate, and on lines 25, 28, and 30 on page 1 of the Budget, as appropriate.

PAGE 2 (Unrestricted Capital Outlay Fund Supplement)

Line 49. Total Column

The capital expenditures recorded for Title 8 PL 103-382 Add-On monies for the disabled, Special K-3 Program Override, and a Joint Career and Technical Education and Vocational Education Center should also be included in the individual line items for the Unrestricted Capital Outlay Fund on page 4 of the Budget.

PAGE 3 (English Language Learners Supplement)

Expenditures for the Structured English Immersion Fund 071 should be budgeted by function and object code. Expenditures from the fund should be coded to program codes 260—ELL Incremental Costs and 430—Pupil Transportation—ELL Incremental Costs, as applicable in the district's accounting records. Total expenditures for the fund on line 11 should be entered on page 6 of the Budget. See pages 3 and 7 of this memo for more information.

Expenditures for the Compensatory Instruction Fund 072 should be budgeted by function and object code. Expenditures from the fund should be coded to program codes 265—ELL Compensatory Instruction and 435—Pupil Transportation—ELL Compensatory Instruction, as applicable in the district's accounting records. Total expenditures for the fund on line 22 should be entered on page 6 of the Budget. See pages 3 and 7 of this memo for more information.

FY 2009 TRUTH IN TAXATION WORK SHEET

In accordance with A.R.S. §15-905.01, a district must hold a truth in taxation hearing on or before the adoption of the expenditure budget if the district budgets an amount that is higher than the truth in taxation base limit, levies any amount for adjacent ways pursuant to A.R.S. §15-995, or levies any amount for liabilities in excess of the budget pursuant to A.R.S. §15-907.

All districts must complete the Truth in Taxation Work Sheet to calculate the district's truth in taxation base limit, to determine if a hearing is required, and to report the portion of the FY 2009 primary property tax rate related to each of the truth in taxation expenditure categories. **Information from this Work Sheet is provided to the Department of Revenue, Property Tax Oversight Commission.** If an amount on line 22, 23, or 24 is greater than zero, the district must publish a truth in taxation hearing notice and hold a hearing. The amounts calculated on lines A, B.2, and C.2 of the Work Sheet should be used, where indicated, on the sample truth in taxation hearing notice. Districts must submit the completed Work Sheet to ADE as part of the budget package and must notify ADE of any subsequent changes to the truth in taxation base limit. If a truth in taxation hearing is held, the Work Sheet must also be made available to the general public at the hearing. See page 2 of this memo and A.R.S. §15-905.01 for further requirements.

SUMMARY OF SCHOOL DISTRICT PROPOSED EXPENDITURE BUDGET

PAGE 2

Total Expenditures by Fund

Include Classroom Site Funds 011, 012, and 013 from Budget, page 3, on the line for the Classroom Site Funds as well as any amount of CSF monies paid to district-sponsored charter schools included on Budget, page 3, footnote 1. Include School Plant Funds 500-506 and 640 from Budget, page 6, on the line for School Plant Funds.

BUDGET WORK SHEETS

WORK SHEET A

Lines I and IV.

In accordance with A.R.S. §15-942(E), changes in a district's student count that are attributable to a district-sponsored charter school switching sponsors or ceasing to operate do not entitle a district to make an adjustment for rapid decline in student count. Additionally, in accordance with A.R.S. §15-185, charter schools may use budget year enrollment figures for student counts. Therefore, district-sponsored charter school student counts should not be used in calculating the additional allowable expenditures for rapid decline.

Line VII.

The rapid decline funding factor varies with the percentage of decline in student count. Therefore, the impact on each district will vary. Use the chart provided on the Work Sheet to determine the applicable amount of funding.

Lines VIII.A through VIII.D.

This restriction will remain in the final budget forms if legislation is enacted for FY 2009: Laws 2007, Ch. 264, §16, requires ADE to reduce the amount of rapid decline funding that a district would otherwise be eligible to receive in accordance with A.R.S. §15-942 by 50%. Lines VIII.B through VIII.D calculate this reduction.

Page 2

In accordance with A.R.S. §15-954(C), if the district of residence is a joint unified district that phases in instruction over more than 1 year, the district should complete a separate work sheet for each phase.

WORK SHEET B

Line A.1. FY 2009 Student Count

For common school districts not within a high school district (Type 03), the 9-12 column for this line should include only those students actually taught by the Type 03 district, if any.

Line A.2. District-Sponsored Charter School Estimated ADM

Include on line A.2 pupils new to the district attending a district-sponsored charter school and pupils who attended a district-sponsored charter school in FY 2008 and will be attending a district-sponsored charter school in FY 2009. For budget adoption, the district should use an estimated student count based on actual pupil registration at the charter school. After the 100th day, the student count must equal the actual ADM as provided in A.R.S. §15-185, not including charter school students who attended a district school other than a charter school in FY 2008 (i.e., students included on line A.1 should not be included on line A.2).

Lines C.1 through C.5. PSD-12 Weighted Student Count

The student count for line C.1 should be obtained from ADE report “Recalculated State Aid ADM Counts-ADMS 46-1” for the 100th day. The actual student counts for lines C.2 and C.3 should be obtained from lines A.1 and A.2, or for line C.2, the allowable FY 2009 noncharter school student counts adjusted for rapid decline from Work Sheet A, line VIII.D, if applicable.

WORK SHEET C

Line IV.A. Base Level Amount

In accordance with A.R.S. §15-919, the Superintendent of Public Instruction should have submitted its recommendations on applications for the Optional Performance Incentive Program to the State Board by May 15, 2008. However, if the Superintendent of Public Instruction submitted its recommendations to the State Board after May 15, a district with a pending application may increase its FY 2009 base level amount for the Optional Performance Incentive Program by the amount the district anticipates will be authorized by the State Board. However, if State Board approval is not received by October 1, 2008, the district must recalculate its Budget without the anticipated increase in the base level amount.

Line VI. Teacher Experience Index

Use the FY 2008 “Teacher Experience Index—SDER 96” available on ADE’s Web site at www.azed.gov/sder/publicreports.asp. Make sure to print a copy or save an electronic copy for the district’s records.

Line XI. FY 2007 Nonfederal Audit Service Actual Expenditures

In accordance with A.R.S. §15-914, a district that will expend monies in FY 2009 to pay for a required financial and compliance audit, may increase the base support level (BSL) for FY 2009 by an amount equal to the nonfederal portion of the audit costs paid in FY 2007. Districts may not increase the BSL for the federal portion of audit costs even if paid from the M&O Fund.

Enter the FY 2007 M&O expenditures related to audits of nonfederal funds on line XI. Enter the amount of audit service expenditures made in FY 2007 related to audits of all federal programs (funds) in the blank space provided in footnote (7). Amounts reported must be amounts actually expended in FY 2007 as reported on the FY 2007 Annual Financial Report. Do not include the costs of consulting or other services paid to audit firms in the nonfederal or federal audit services actual expenditures.

Line XII. Decreases for Charter School Federal and State Monies Received

In accordance with A.R.S. §15-185(D), districts sponsoring charter schools must reduce the BSL by the amount of monies received from federal and state agencies for the basic maintenance and operation of charter schools, except for Federal Impact Aid (Title 8 PL 103-382) and state equalization assistance monies. Do not include supplemental federal or state grants received for a specific purpose such as ESEA Title I, IDEA Part B, stimulus grants, and federal food program reimbursements. Districts should not reduce the BSL by more than the amount by which the charter school increased the district’s BSL and SCA. The amount entered on this line should be negative.

In accordance with A.R.S. §15-185, in the first year a district school becomes a charter school and is being operated for or by the same district, the sponsoring district must reduce the BSL on line XII. The reduction is equal to the amount of the BSL and additional assistance received for those students who were enrolled in the district school in the prior year and are now enrolled at the charter school. Operated for or by the same district means the charter school is either governed by the same governing board or operated by the district in the same manner as other district schools, or is operated by an independent party contracted by the district.

Line XIII. Decrease for Charter School Nonparticipation Adjustment

A.R.S. allows districts to increase the BSL for teacher compensation, career ladder, optional performance incentive programs, and teacher experience index. However, districts sponsoring charter schools that are not approved to participate in these programs must reduce the BSL by any increase applied to the charter school student count. The amount entered on this line should be negative.

WORK SHEET D

Lines II.C.1 and II.C.2. FY 2008 Annual Expenditure for Bus Tokens and Passes

These lines are used to increase the transportation support level for the annual expenditure for bus tokens and passes for students who qualify as eligible students as defined by A.R.S. §15-901. Enter the FY 2008 annual expenditures by district schools other than charter schools for bus tokens and passes from the ADE report "Transportation Route Report-TRAN 55-1."

Lines VIII.C and D. FY 2009 Transportation Revenue Control Limit

In accordance with A.R.S. §15-946, the FY 2009 Transportation Revenue Control Limit (TRCL) cannot increase from the FY 2008 TRCL amount if the FY 2009 TRCL would exceed 120% of the FY 2009 Transportation Support Level (TSL) as calculated on line VIII.B. However, the Adjusted FY 2009 TRCL calculated on line VIII.C should not result in a FY 2009 TRCL that is less than the FY 2009 TSL. Lines VIII.C and D calculate any required adjustments to the FY 2009 TRCL.

WORK SHEET I

Lines V.D.1 through V.D.3. Additional Assistance

In accordance with A.R.S. §15-185, charter schools sponsored by school districts are eligible to receive additional assistance. The total amount of additional assistance must be included in the funding provided to the charter school.

WORK SHEET J

Common school districts not within a high school district (Type 03) should only complete Sections I and III.B of the Work Sheet. All other districts should complete sections I, II, and III.A.

Lines III.A.7 and III.B.11. Qualifying Tax Rate

Enter the sum of \$1.4622 for PSD-8 and 9-12; and if applicable, the tax rate increase for the district's Career Ladder Program per A.R.S. §15-918.05; **or** Optional Performance Incentive Program costs per A.R.S. §15-919.05. In accordance with A.R.S. §15-971(B)(3), the qualifying tax rate for a joint technological education district is 5 cents.

Lines III.A.11 and III.B.15. Government Property Lease Excise Tax Monies Received in FY 2008

Using the PSD-8 and 9-12 Factors calculated in line I.D, districts should allocate the amount of Government Property Lease Excise Tax monies received in FY 2008 in the applicable columns.

Line III.A.12 Total FY 2009 Equalization Assistance

This restriction will remain in the final budget forms if legislation is enacted for FY 2009: In accordance with Laws 2007, Ch. 264, §18, ADE must only distribute state aid for joint technological education districts (JTED) at 91.8% of the state aid that would otherwise be provided by law and adjust the budget limits accordingly. However, a JTED will not receive less state aid than it received for the previous year except from reductions due to changes in ADM, net assessed property values or other technical factors or due to prior year adjustments or corrections. Therefore, the JTED's actual total

equalization assistance may be less than the amount calculated on line III.A.12. Footnote 5 discloses the maximum amount of the reduction that may be required to state aid and the applicable limits.

WORK SHEETS K AND K2

If a district used the small school adjustment for districts with a student count of 125 or less in grades K-8, or 100 or less in grades 9-12 and exceeded the allowable student count for the first time before FY 2000, and has exceeded the qualifying student count for FY 2009, the district may choose one of the following options, if applicable.

1. The district may continue to adopt a budget using the small school adjustment without an election; however, the adjustment may not be greater than \$50,000. Enter amounts, the total of which must be less than or equal to \$50,000 on the Budget, page 7, line 4.
2. The district may hold an override election as provided in A.R.S. §15-481. The amount of the override is limited to the amount calculated on Work Sheet K.

If a district used the small school adjustment for districts with a student count of 125 or less in grades K-8, or 100 or less in grades 9-12 and exceeded the allowable student count for the first time after FY 1999 and has exceeded the qualifying student count for FY 2009, the district may hold an override election as provided in A.R.S. §15-481. The amount of the override is limited to the amount calculated on Work Sheet K2.

WORK SHEET M

Line 6.a.2. 50% of Unexpended Budget for Special K-3 Program Override

In accordance with A.R.S. §15-943.01, districts may include in their M&O Fund budget balance carryforward up to 50% of the unexpended budget for their Special K-3 Program Override. Line 6.a.2 calculates the allowable amount that can be carried forward.

Line 6.g. Career Ladder

In accordance with A.R.S. §15-918.04, districts may budget any unexpended budget balance in the M&O section attributable to the Career Ladder Program from FY 2008 for use only in the Career Ladder Program in FY 2009. Additionally, the amount calculated on this line is specifically exempt from the RCL and should be entered on the Budget, page 7, line 9(i).

Line 6.h. Optional Performance Incentive Program

In accordance with A.R.S. §15-919.04, districts may budget any unexpended budget balance in the M&O section attributable to the Optional Performance Incentive Program from FY 2008 for use only in the Optional Performance Incentive Program in FY 2009. Additionally, the amount calculated on this line, is specifically exempt from the RCL and should be entered on the Budget, page 7, line 9(j). Pursuant to A.R.S. §15-919.06, the amount of the Optional Performance Incentive Program monies carried forward must be accounted for separately in districts' records.

Line 6.i. Performance Pay

In accordance with A.R.S. §15-920, districts may budget any unexpended budget balance in the M&O section attributable to the Performance Pay component in its salary schedule from FY 2008 for use in that component in FY 2009. Additionally, the amount calculated on this line, is specifically exempt from the RCL and should be entered on the Budget, page 7, line 9(k).

WORK SHEET O

Work Sheet O applies only to common school districts not within a high school district (Type 03) and should be completed to determine the tuition increase to the GBL, DSL, and RCL. A copy of Work Sheet O should be completed for each district of attendance that the district of residence pays tuition to for high school students. A.R.S. §§15-910(L), 15-448(J), and 15-951

Line VI. Tuition Increase to General Budget Limit

The amount recorded on line VI for each Work Sheet O should be added together and entered on the Budget, page 7, line 9(b).

Line VII. Increase to District Support Level and Revenue Control Limit

The amount recorded on line VII for each Work Sheet O should be added together and entered on Work Sheet E, lines II and VI.

DESEGREGATION SUPPLEMENT

Only those districts that budget expenditures for Desegregation, in accordance with A.R.S. §15-910(J) must complete the Desegregation Supplement and related forms. The Desegregation Supplement and related forms have been included in three separate files and should be completed and submitted with the Budget forms. Specific instructions for completing the Supplement and related forms can be found in the Desegregation Instructions file.

If you have any questions or need assistance, please call the Office of the Auditor General, Accounting Services Division at (602) 553-0333, or ADE, School Finance Unit at (602) 542-5695.

MDH/VGS/lm